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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Vic Fischer
Chairman
Senate State Affairs Committee
Room 205 - Behrends Building
Juneau, Alaska

Dear Senator Fischer:

Re: Senate Bill No. 360 and Senate Bill No. 361

Senate Bill No. 360, an Act relating to the investment of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate State Affairs and Finance Committees.

Senate Bill No. 361, an Act making a special appropriation to the Department of Administration for payment of liabilities of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate Community and Regional Affairs; State Affairs and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning both bills.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

The Honorable Donald E. Gilman
Chairman
Senate Community and Regional
Affairs Committee

Anselm Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

SB 360, 361

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SENATE BILL NO. 360 & ³⁶¹~~362~~
 Title Relating to investment of the public employees' and teachers' retirement funds
Requested by and making a special appropriation for payment of Date 3/31/81
accrued liabilities of both funds
 Requested by Senate State Affairs & Community & Regional Affairs Committees

II. FISCAL DETAIL.
 Agency Affected Department of Revenue, Department of Administration
 Program Category Affected General Fund
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

SB 361 appropriates \$136.4 million to the Public Employees' Retirement System and \$154.3 million to the Teachers' Retirement System to pay the unfunded liabilities of both systems accrued to 1/1/80 and 6/30/80 respectively.

SB 360 adds language to the investment authority of both systems directing that the funds appropriated by SB 361 be used to buy Alaska Housing Finance Corp. bonds and bond anticipation notes at competitive market rates of interest of taxable securities.

No additional administrative costs appear necessary.

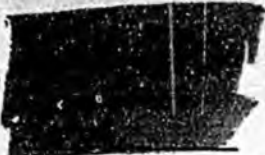
Anselm C. Staack

IV. DATE April 6, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE 465-2351
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

4-7-81

David Rose ++
Tom Williams - t
Fred Muller

SENATE BILL NO. 360, by Senators Stimson, Sturgulewski, Gilman and Hohman. Amends AS 39.35.110 (Public Employees' Retirement System. Investments) and AS 14.25.180 (Teachers' Retirement. Custody and Investments) by addition of new subsections



(investment
of)



Investments to be made in bonds and bond anticipation notes of the Alaska Housing Finance Corporation. Such investments may be made only at competitive market rates of interest for taxable securities. Provides Act takes effect July 1, 1981.

?
in case

Introduced March 31 and referred to State Affairs, then to Finance.

Appropriation
(special)
(public employ-
ees' and
teachers'
retirement
funds)

SENATE BILL NO. 361, by Senators Stimson, Sturgulewski, Gilman and Hohman. Makes a [redacted] the Department [redacted] fund for payment to the pension fund for unfunded benefit liabilities of the public employees' retirement system accrued to January 1, 1980. Appropriates \$154,300,000 from the general fund for payment to the retirement fund for unfunded benefit liabilities of the teachers' retirement system accrued to June 30, 1980. Provides Act takes effect on the effective date of SB 360.

?

Introduced March 31 and referred to Community and Regional Affairs, State Affairs, then to Finance. 4/2, C&RA waived.

- strengthens state credit
- "unfunded liabilities," i.e., long term bonded debt.
almost \$300 mm
- would also reduce employer parts.

X Kenneth Olson - is not favor in investment in a particular portfolio
TRG Board, NEA

Introduced: 3/31/81
Referred: State Affairs and Finance

APFA - supports concept, but not priority

1 IN THE SENATE

BY STIMSON, STURGULEWSKI,
GILMAN AND HOHMAN

2 SENATE BILL NO. 360

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment of the public
7 employees' and teachers' retirement funds; and provid-
8 ing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 39.35.110 is amended by adding a new subsection to read:

11 (k) Notwithstanding (a) of this section, if the legislature
12 appropriates money to the pension fund for the unfunded benefit liabili-
13 ties of the system, the commissioner of revenue ^{may} shall invest an amount
14 of the pension fund equal to the amount appropriated, or so much of
15 that amount as the commissioner of administration considers proper, in
16 bonds and bond anticipation notes of the Alaska Housing Finance Corpora-
17 tion. An investment under this subsection may be made only at competi-
18 tive market rates of interest for taxable securities.

Tolson
? or

19 * Sec. 2. AS 14.25.180 is amended by adding a new subsection to read:

20 (j) Notwithstanding (b) of this section, if the legislature
21 appropriates money to the retirement fund for the unfunded benefit
22 liabilities of the system, the commissioner of revenue ^{may} shall invest an
23 amount of the retirement fund equal to the amount appropriated or so
24 much of that amount as the commissioner of administration ^{may} considers
25 proper, in bonds and bond anticipation notes of the Alaska Housing
26 Finance Corporation. An investment under this subsection may be made
27 only at competitive market rates of interest for taxable securities.

Tolson
Williams

28 * Sec. 3. This Act takes effect July 1, 1981.

29

Introduced: 3/31/81
Referred: State Affairs and
Finance

BY STIMSON, STURGULEWSKI,
GILMAN AND HOHMAN

1 IN THE SENATE

2 SENATE BILL NO. 360

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

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22 liabilities of the system, the commissioner of revenue shall invest an
23 amount of the retirement fund equal to the amount appropriated or so
24 much of that amount as the commissioner of administration considers
25 proper, in bonds and bond anticipation notes of the Alaska Housing
26 Finance Corporation. An investment under this subsection may be made
27 only at competitive market rates of interest for taxable securities.

28 * Sec. 3. This Act takes effect July 1, 1981.

29

PERS/IRS ACTUARIAL

	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
1 STATE OF ALASKA	203736116.	123383069.	80353047.	233462893.	11.46	2.54	114.00	
2 SOUTH WEST REGION SCHOOL DISTRICT	162831.	259069.	-96239.	1389196.	11.46	-0.51	10.95	
3 ANNETTE ISLAND SCHOOL DISTRICT	77627.	122262.	-44636.	248195.	11.46	-1.33	10.13	
4 BERING STRAITS SCHOOL DISTRICT	273445.	214854.	58591.	671183.	11.46	0.64	12.10	
5 CHATHAM SCHOOL DISTRICT	27275.	46956.	-18681.	83991.	11.46	-1.73	9.73	
6 ALASKA MUNICIPAL LEAGUE	58644.	-69166.	127810.	58679.	11.46	16.07	27.53	
7 VALDEZ, CITY OF	623022.	673367.	-50345.	1803484.	11.46	-0.21	11.25	
8 JUNEAU BOROUGH SCHOOL DISTRICT	1570078.	608791.	961287.	2901289.	11.46	2.45	13.91	
9 MATANUSKA-SUSITNA BOROUGH	896842.	1142070.	-245228.	1789767.	11.46	1.50	12.96	1
10 MATANUSKA-SUSITNA SCHOOL	1703361.	522959.	1180402.	2812745.	11.46	1.50	12.96	1
11 ANCHORAGE BOROUGH SCHOOL	23903095.	10570129.	13332965.	34277061.	11.46	2.87	14.33	
12 COPPER RIVER SCHOOL DISTRICT	141666.	209582.	-67915.	546561.	11.46	-0.92	10.54	
13 UNIVERSITY OF ALASKA	14341436.	13402405.	939031.	23375479.	11.46	0.32	11.78	3
14 HAINES, CITY OF	178145.	172908.	5237.	276748.	11.46	0.14	11.60	
15 KENAI, CITY OF	785725.	1080274.	-294549.	1509530.	11.46	-1.44	10.02	
16 NORTH STAR BOROUGH	1866065.	2358119.	-492054.	4522041.	11.46	0.50	11.96	4
17 NORTH STAR BOROUGH SCHOOL DISTRICT	4990508.	3525197.	1465311.	9968986.	11.46	0.50	11.96	4
18 RAILBELT SCHOOL DISTRICT	94850.	120470.	-25621.	548712.	11.46	-0.34	11.12	
19 UNIVERSITY OF ALASKA - GEO.	1773002.	1597783.	175219.	2160706.	11.46	0.32	11.78	3
20 CITY AND BOROUGH OF SITKA	2196413.	588738.	1607676.	2138873.	11.46	4.51	15.97	5
21 CHUGACH REGIONAL SCHOOL DISTRICT	7413.	39493.	-32080.	31171.	11.46	-7.60	3.86	
22 GATEWAY BOROUGH	490860.	409705.	81154.	818994.	11.46	0.73	12.19	
23 SOLDOTNA, CITY OF	118744.	138236.	-19491.	388152.	11.46	-0.37	11.09	
24 IDITAROD AREA SCHOOL DISTRICT	69773.	123397.	-53624.	438449.	11.46	-0.90	10.56	
25 KUSPUK SCHOOL DISTRICT	95483.	154016.	-58533.	443430.	11.46	-0.97	10.49	

2.5 CONTRIBUTION RATES

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	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
26 CITY AND BOROUGH OF JUNEAU	6644933.	7292067.	-647134.	8069958.	11.46	-0.59	10.87	
28 KODIAK, CITY OF	1843632.	1106262.	737370.	1943304.	11.46	2.80	14.26	
29 FAIRBANKS, CITY OF	8517537.	3296581.	5220956.	7468008.	11.46	5.43	16.89	6
30 FAIRBANKS PUBLIC UTILITIES	2882333.	458870.	2423464.	2922412.	11.46	5.43	16.89	6
32 SKAGWAY, CITY OF	133296.	123127.	10169.	197972.	11.46	0.38	11.84	
33 SITKA, BOROUGH SCHOOLS	902651.	479605.	423046.	1181904.	11.46	4.51	15.97	5
35 WRANGELL, CITY OF	634219.	387892.	246327.	806237.	11.46	2.25	13.71	
36 BETHEL, CITY OF	65544.	57406.	8138.	91148.	11.46	0.66	12.12	
37 VALDEZ CITY SCHOOLS	288144.	309134.	-20990.	998264.	11.46	-0.16	11.30	
38 HOONAH CITY SCHOOLS	397931.	183089.	214842.	587198.	11.46	2.70	14.16	
39 NOME, CITY OF	324600.	171885.	152716.	474820.	11.46	2.37	13.83	
40 KOTZEBUE, CITY OF	88922.	161878.	-72956.	262901.	11.46	-2.05	9.41	
41 GALENA CITY SCHOOLS	40821.	52269.	-11448.	146663.	11.46	-0.58	10.88	
42 KING COVE CITY SCHOOL DISTRICT	35355.	12925.	22430.	146603.	11.46	1.13	12.59	
43 PETERSBURG, CITY OF	1130610.	328728.	801882.	1603985.	11.46	3.69	15.15	
44 BRISTOL BAY BOROUGH	167391.	150460.	16931.	288644.	11.46	0.43	11.89	
45 NORTH SLOPE BOROUGH	1317540.	2194906.	-877365.	7178111.	11.46	-0.90	10.56	
46 WRANGELL SCHOOLS	79880.	-76121.	156001.	143499.	11.46	8.02	19.48	
47 ALASKA UNORGANIZED BOROUGH SCHOOL DIST.	410006.	729178.	-319172.	420000.	11.46	-5.61	5.85	
48 CORDOVA, CITY OF	597965.	263206.	334759.	641132.	11.46	3.85	15.31	
49 NOME CITY SCHOOLS	406791.	57803.	348988.	930518.	11.46	2.77	14.23	
51 KING COVE, CITY OF	18638.	43449.	-24812.	87534.	11.46	-2.09	9.37	
52 ALASKA HOUSING FINANCE CORPORATION	143512.	61678.	81834.	334220.	11.46	1.81	13.27	
53 LOWER YUKON SCHOOL DISTRICT	384443.	329094.	55349.	2127447.	11.46	0.19	11.65	
54 NORTHWEST ARCTIC SCHOOL DISTRICT	814239.	868430.	-54191.	3462180.	11.46	-0.12	11.34	

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	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
55 SOUTHEAST ISLANDS SCHOOL DISTRICT	32551.	57549.	-24998.	172406.	11.46	-1.07	10.39	
56 PRIBILOF REGION SCHOOL DISTRICT	41905.	56756.	-14860.	258219.	11.46	-0.42	11.04	
57 LOWER KUSKOKWIM SCHOOL DISTRICT	505098.	706266.	-201168.	2253833.	11.46	-0.66	10.80	
58 KODIAK ISLAND BOROUGH SCHOOL DISTRICT	752559.	102917.	649641.	2063783.	11.46	2.32	13.78	
59 YUKON FLATS SCHOOL DISTRICT	165032.	222146.	-57114.	1077159.	11.46	-0.39	11.07	
60 YUKON-KOYUKOK SCHOOL DISTRICT	185155.	228444.	-43289.	1145299.	11.46	-0.28	11.18	
61 NORTH SLOPE BOROUGH SCHOOL DISTRICT	650218.	1066297.	-416078.	2431035.	11.46	-1.26	10.20	
62 ALEUTIAN REGION SCHOOL DISTRICT	56684.	82147.	-25464.	209338.	11.46	-0.90	10.56	
63 CORDOVA COMMUNITY HOSPITAL	152684.	212815.	-60132.	426868.	11.46	-1.04	10.42	
64 LAKE AND PENINSULA SCHOOL DISTRICT	110591.	128453.	-17862.	594911.	11.46	-0.22	11.24	
65 SITKA COMMUNITY HOSPITAL	145948.	195064.	-49116.	739211.	11.46	-0.49	10.97	
66 SOUTH CENTRAL REGIONAL RESOURCE CENTER	49648.	54536.	-4888.	532706.	11.46	-0.07	11.39	
67 SOUTH EAST REGIONAL RESOURCE CENTER	4054.	16250.	-12196.	30452.	11.46	-2.96	8.50	
68 BRISTOL BAY REGIONAL RESOURCE CENTER	10224.	18358.	-8134.	113390.	11.46	-0.53	10.93	
69 NORTHWEST REGIONAL RESOURCE CENTER	2518.	9188.	-6671.	27233.	11.46	-1.81	9.65	
70 NORTH PACIFIC FISHERY MANAGEMENT COUNCIL	67254.	64793.	2461.	253717.	11.46	0.07	11.53	
71 WESTERN REGIONAL RESOURCE CENTER	2721.	9657.	-6936.	100570.	11.46	-0.51	10.95	
72 ST. PAUL, CITY OF	28038.	34237.	-6199.	101012.	11.46	-0.45	11.01	
73 ANCHORAGE, MUNICIPALITY OF	35837977.	16477000.	19360977.	44422310.	11.46	3.22	14.68	
74 KODIAK ISLAND BOROUGH	139095.	92231.	46863.	320225.	11.46	1.08	12.54	
75 HOME JOINT UTILITIES	59219.	158476.	-99257.	250697.	11.46	-2.92	8.54	
76 SAND POINT, CITY OF	41262.	37205.	4058.	149866.	11.46	0.20	11.66	
77 KETCHIKAN GATEWAY BORO SCHOOL DISTRICT	56268.	31861.	24407.	245355.	11.46	0.73	12.19	
78 DILLINGHAM, CITY OF	43863.	56056.	-12193.	248490.	11.46	-0.36	11.10	
79 UNALASKA, CITY OF	78589.	99241.	-20651.	580298.	11.46	-0.26	11.20	

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	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONBOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
80 KENAI PENINSULA BOROUGH	1833990.	747868.	1086122.	2537173.	11.46	3.16	14.62	
81 KETCHIKAN, CITY OF	2676582.	380666.	2295917.	2137896.	11.46	7.93	19.39	
82 SEWARD, CITY OF	492079.	151665.	340414.	889473.	11.46	2.82	14.28	
83 FORT YUKON, CITY OF	12592.	5422.	7169.	102308.	11.46	0.52	11.98	
84 BRISTOL BAY BOROUGH SCHOOL DISTRICT	93858.	13497.	80360.	168329.	11.46	3.52	14.98	
85 CORDOVA PUBLIC SCHOOLS	88227.	13980.	74248.	77328.	11.46	7.09	18.55	
86 CRAIG, CITY OF	13087.	4181.	8907.	30624.	11.46	2.15	13.61	
88 SAND POINT CITY SCHOOL DISTRICT	1247.	0.	1247.	21949.	11.46	0.42	11.88	
90 KENAI PENINSULA SCHOOL DISTRICT	0.	0.	0.	0.	11.46	3.13	14.59	
** STATE & POLITICAL SUBDIVISION TOTALS	338364328.	201973717.	136390611.	433900420.	11.46	2.32	13.78	

SUBJECT- ELIMINATION OF PERS AND TRS LIABILITIES

FACT:

1. The Public Employees' Retirement System (PERS) is a joint contributory system with defined contributions and benefits. PERS covers all full-time State employees as well as political subdivisions which have elected coverage for their employees. Retirement benefits are based on an employee's high three-year average salary, years of service and age at retirement.
2. Employees contribute 4.25% of their gross pay (5% for peace officers and firemen) and employer contributions are based on periodic actuarial valuations that take into account estimated benefit payments including amortization of past service costs over a 30 year period (over a 40-year period prior to July 1, 1978). During fiscal 1979 the Public Employees' Retirement System Board directed that a further decrease be made in the accrued benefit amortization period from 30 years to 25 years.
3. The current State contribution rate to PERS is 12.58%. During fiscal 1980 the cost to the State for contributions to PERS was \$32.5 million.
4. The excess of the computed value of vested benefits over the total of PERS assets was estimated by the consulting actuary to be \$128.4 million as of January 1, 1979. This estimate was based on amortizing the unfunded liability over a 30-year period and funding post-retirement medical insurance on a pay-as-you-go basis.
5. The excess of the computed value of vested benefits over the total of PERS assets was estimated by the consulting actuary to be \$136.4 million as of January 1, 1980. This estimate was based on amortizing the unfunded liability over a 25-year period and prefunding medical insurance with the same method as other retirement benefits.
6. The Teachers' Retirement System (TRS) is a joint contributory system with defined contributions and benefits. TRS covers all teachers in the public school system. Retirement benefits are based on a teacher's high three-year average salary, years of service and age at retirement.
7. Teachers contribute 7% of their gross pay. The employer and the State each contribute 7.06% of a teacher's salary. During fiscal 1980 the State contributed \$15.2 million to TRS.
8. The excess of computed value of vested benefits over the total of TRS assets was estimated by the consulting actuary to be \$104.1 million as of June 30, 1979. This estimate was based on amortizing the unfunded liability over a 30-year period and funding post retirement medical insurance on a pay-as-you-go basis, merely providing enough assets to pay for the premiums due in the coming year.

9. The excess of the computed value of vested benefits over the total of TRS assets was estimated by the consulting actuary to be \$154.2 million as of June 30, 1980. The estimate was based on amortizing the unfunded liability over a 30-year period and prefunding medical insurance using the same method as other retirement benefits.

10. Both PERS and TRS invest a substantial amount of their assets in Alaska at current market yields. The funds do not invest at "social" or "subsidy" yields.

11. The Alaska Housing Finance Corporation (AHFC), due to recent Federal legislation, will no longer be able to import tax-exempt funds from the national bond market. It must secure at least \$500 to \$700 million through the issue of taxable debt during FY 82. The market and market rate for this debt is not known at this time.

PROBLEMS

1. The above facts (7-9) are set forth in notes to State financial statements to disclose the existence of a large \$290.7 million contingent liability. They also indicate that the deficits are growing larger (PERS up from \$123.4 million to \$136.4 million and TRS up from \$104.1 million to \$154.2 million). The amount of the liability and the adverse direction of trend do not reflect credibly on State finances and thus must be disclosed as part of the financials.

2. The State contribution (as employer) to PERS and TRS amounted to \$47.7 million in FY 80. The contribution in FY 82 will exceed that amount and appears as an operating budget item. Employer contributions to keep the fund actuarially sound are enormous and swell the operating budget in what appears to be (but is not) a non-discretionary, "not-controllable" item.

3. PERS and TRS are major in-State investors. These funds do not have enough assets to continue to meet the needs of the business and housing debt community.

ASSUMPTION

The legislature wishes to improve the internal State financial condition, reduce the operating budget and provide funds for in-State investment through a single, multi-benefit legislative action.

DISCUSSION

1. A one-time supplemental appropriation in the amount of \$300 million will eliminate the liability of both funds; thus presenting a "cleaner" financial statement demonstrating to the financial world that we have the interest and ability to attend to important internal-financial matters.

2. The above action will trigger an actuarial study which will result in a recomputation of employer (State) contributions. Thus, in turn, will trigger a substantial reduction in the operating budget.

3. If the one-time supplemental appropriation is made with the caveat that these funds dedicated to the respective retirement systems must be invested in securities issued by AHFC, an immediate market is guaranteed for roughly half of the bonds AHFC will issue in FY 82.

4. The purchase of AHFC negotiable securities at taxable market rates insures that: 1) investment is in securities which can be reoffered (sold) by the retirement funds if desired; 2) if interest rates fall, reoffering of the securities can occur at a premium sale creating substantial profit to the funds; 3) if held to maturity, the securities--because they represent a large corpus of the fund--skew the investment yield to the highest in the history of the retirement funds and probably will make them the highest yielding funds of any state in the nation; 4) the abnormally high yield-- if permitted to be considered by the actuary--will keep employer contributions and thus operating budget costs in this area very low for many years in the future.

ALTERNATE SOLUTIONS TO THE PROBLEMS

Fund less than \$300 million making same inroads on the problem but not achieving all that is possible.

RECOMMENDATION

1. Appropriate \$300 million in the form of a supplemental with the requirement that the money be used to purchase AHFC securities when issued.
2. Compute affect on FY 82 operating budget and reduce same.

Four Wms

- both have over 30% in All world

↳ 85% in hsq (Aach)

~~with~~
- need more diversification

~~1994~~
vs bond defasance

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Vic Fischer
Chairman
Senate State Affairs Committee
Room 205 - Behrends Building
Juneau, Alaska

Dear Senator Fischer:

Re: Senate Bill No. 360 and Senate Bill No. 361

Senate Bill No. 360, an Act relating to the investment of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate State Affairs and Finance Committees.

Senate Bill No. 361, an Act making a special appropriation to the Department of Administration for payment of liabilities of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate Community and Regional Affairs; State Affairs and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning both bills.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

The Honorable Donald E. Gilman
Chairman
Senate Community and Regional
Affairs Committee

Anselm Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

SB 360, 361

FISCAL NOTE

I. REQUEST 361
 Bill/Resolution No. SENATE BILL NO. 360 & 361
 Title Relating to investment of the public employees' and teachers' retirement funds
Rescinding and making a special appropriation for payment of Date 3/31/81
accrued liabilities of both funds
 Requested by Senate State Affairs & Community & Regional Affairs Committees

II. FISCAL DETAIL
 Agency Affected Department of Revenue, Department of Administration
 Program Category Affected General Fund
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

SB 361 appropriates \$136.4 million to the Public Employees' Retirement System and \$154.3 million to the Teachers' Retirement System to pay the unfunded liabilities of both systems accrued to 1/1/80 and 6/30/80 respectively.

SB 360 adds language to the investment authority of both systems directing that the funds appropriated by SB 361 be used to buy Alaska Housing Finance Corp. bonds and bond anticipation notes at competitive market rates of interest of taxable securities.

No additional administrative costs appear necessary.

IV. DATE April 6, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
AGENCY Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE 465-2351
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 361
 Title An Act Making a Special Appropriation to the Department of Administration
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Labor Services
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01 (PERS)
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
100 APPROPRIATION (SB 361)		136,400.0				
100 BENEFITS OPERATING BUDGET		(7,534.0)	(7,534.0)	(7,534.0)	(7,534.0)	(7,534.0)
TOTAL	-0-	128,866.0	(7,534.0)	(7,534.0)	(7,534.0)	(7,534.0)

FUNDING (Thousands of Dollars)

GENERAL FUND		130,299.7	(6170.3)	(6170.3)	(6170.3)	(6170.3)
FEDERAL FUNDS		(346.6)	(346.6)	(346.6)	(346.6)	(346.6)
VETERAN'S FUND		(15.1)	(15.1)	(15.1)	(15.1)	(15.1)
FISH & GAME FUND		(45.2)	(45.2)	(45.2)	(45.2)	(45.2)
HIGHWAY FUND		(97.9)	(97.9)	(97.9)	(97.9)	(97.9)
AIRPORT FUND		(218.5)	(218.5)	(218.5)	(218.5)	(218.5)
CAPITAL FUND		(640.4)	(640.4)	(640.4)	(640.4)	(640.4)
PERS						
TRS						

POSITIONS

	NONE				
FULL TIME					
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. The unfunded State Benefit Liability Rate is 2.54% of covered payroll (\$7,534.0 in FY 82).
2. The average unfunded Political Subdivision Liability Rate is 2.32% of covered payroll (\$5,887.2 in FY 82).
3. The appropriation under this Bill will reduce the unfunded liability of the PERS approximately as follows:

State: \$80,353.0
 Political Subs: \$56,047.0

Paul R. Arnoldt *gc*

IV. DATE 5/01/81 PREPARED BY Paul R. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 Budget and Management
 Prime Sponsor (First Legislator Named) Senator Stimson
 Office of the Governor (Keith Seckling)

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. Senate Bill 361
 Title An Act making a special appropriation to the Department of Administration
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement & Benefits
 Program Category Affected Labor Services and Elementary & Secondary Education
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-02 (TRS) 02-11-8-02-01-00 (TRS MATCH)
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
100 APPROPRIATIONS (SB 361)		154300.0				
700 STATE TRS MATCHING		(6400.4)	(6400.4)	(6400.4)	(6400.4)	(6400.4)
100 BENEFITS OPERATING BUDGET		(1157.2)	(1157.2)	(1157.2)	(1157.2)	(1157.2)
TOTAL	-0-	146742.4	(7557.6)	(7557.6)	(7557.6)	(7557.6)

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	146742.4	(7557.6)	(7557.6)	(7557.6)	(7557.6)
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The unfunded TRS benefit liability rate is 4.09% of covered payroll (The TRS contribution rate is split 50/50 between the state matching contribution and the school district contribution).

IV. DATE 5/01/81 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Senator Stimson
 Office of the Governor (Keith Specking)

ATTACHMENT

Bill/Resolution No. SB 361ASSUMPTIONS:

1. Estimated FY82 Payroll (Total System)	=	\$261,775,000
2. State Contribution Rate to Fund Bill	=	2.445%
3. State TRS Matching Rate to Fund Bill	=	2.445%
4. School District Rate to Fund Bill	=	2.445%

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>	<u>Rate</u>	<u>Cost Reduction</u>	<u>Appropriation</u>
1. Department of Education	\$ 4,712,000	X 2.445%	\$ 115.2	To Their Budget
2. University of Alaska	\$ 42,617,000	X 2.445%	\$1,042.0	To Their Budget
			<u>\$1,157.2</u>	
3. State TRS Matching	\$ 261,775,000	X 2.445	\$6,400.4	To TRS Match
4. State TRS Regular Budget:				
Personal Services			\$ -0-	To Personal
Travel			\$ -0-	To Travel
Contractual			\$ -0-	To Contractual
Commodities			\$ -0-	To Commodities
Equipment			\$ -0-	To Equipment
			<u>\$7,557.6</u>	
5. All School Districts	\$ 214,446,000	X 2.445%	\$5,243.2	
			<u>\$12,800.8</u>	
			<u><u>\$12,800.8</u></u>	

REMARKS:

SBS/D1/32

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.